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THE DEBATE ON THE NATIONAL BANK ACT OF 1863.

THE attitude of the public mind today toward the national banking system is quite unlike that of the time when the system was inaugurated. Local banks not possessed of the right to issue notes are not today jealous of that system of banks possessing the exclusive right to issue. Since national banks are "no longer organized for the purpose of issuing circulation," it is plain that this power is now considered much less important than formerly. The immediate reasons urged for establishing the system would not be put forward today if our statesmen were confronted with the question how to establish a national system of banking, although some general reasons would of course hold good now as then. The purpose of this paper is to discuss the origin of the national banking system, and the writer has in mind especially the congressional debate of February 1863.

I.

The immediate object of the National Bank Act was to provide a currency which should expedite the transactions of the government. When the state banks and the government suspended specie payments, 31st December 1861, gold currency disappeared from circulation. The general government could not legally or safely accept issues of state or local banks. There was an absolute dearth of national currency. This was evident in the very beginning of 1862. Congress solved the immediate difficulty by resorting to legal-tender paper. A national currency was provided by an issue of irredeemable paper, 25th February 1862. But this was not all. After further issues of legal-tender paper a bill was introduced in the House, 11th July 1862, for establishing a national bank. The bill did not receive much attention at that time, because "of the

greater demand for military and naval measures, and the necessity for an extensive and novel law of internal taxation." Between this date and February 1863, some further attempts were made to pass a national banking law. On the 25th February 1863, Senator Sherman introduced the bill that finally became law. While the government possessed at that time a uniform national currency in irredeemable paper, it was clear to all that national honor demanded a sounder medium of exchange and credit. Consequently the recommendation of Secretary Chase for a national banking system was taken up in earnest. The advocates of the bill put forward two chief arguments: First, that the bill was to be a war measure; and, secondly, that the banking system proposed should become a permanent institution.

Before taking up the discussion of the bill attention should be directed to certain options open to Congress. The propositions from which a choice had to be made were stated by Senator Sherman¹ to be four: (1) Repeal of the Sub-Treasury Act and use of the paper of local banks as currency; (2) increase of the issues of United States notes; (3) selling bonds of the United States in open market; (4) organization of a system of national banking.

What relief would come from repeal of the Sub-Treasury Act was not made clear upon the floor of either House in the discussion. An authority in matters of finance advocated at this time the repeal of the Sub-Treasury Act, and the adoption of the national bank bill as a method of obtaining means for carrying on the war. This authority was the author of the Sub-Treasury Act, Robert J. Walker, who had been Secretary of the Treasury from 1845 to 1849. Of the Act, Mr. Walker said: "The bill divorcing the banks from the government was drawn by me as Secretary of the Treasury in 1846, to enlarge the circulation of specie and restrain excessive issues of bank paper. I go for reunion now as proposed by the Secretary." After mentioning such merits as uniformity of currency and security to the note-holder, Mr. Walker declared that

¹ *Congressional Globe*, XXXVII. Congress, 3rd Session, p. 841.

the present situation was one of urgent political demand; that this demand was such as could be satisfied only by a vigorous financial policy, and that such was the policy proposed by Secretary Chase.¹

(1) The use of the paper of local banks as currency was seen to be fraught with dangers. The adopting of their currency, even when they had been supposed to be upon a specie basis, had been productive of much annoyance. "The value of the existing bank-note circulations" depended "on the laws of thirty-four states, and the character of some sixteen hundred private corporations." During suspension of specie payments danger of insolvency of individual banks was infinitely greater. No bank was upon a sound basis. It was asserted that the banks had sold their gold at a high premium and had placed in their vaults United States notes with which to redeem their own notes. Since United States notes had been made legal tender, no action could be taken against the banks. Thus inflation of the currency of the country was brought about by the issues of local banks on reserves of United States notes.²

If the government adopted the currency of these banks it would thereby give support to that system of banking which tended constantly toward inflation. To the statesman the real question was how could this inflation be checked. Consequently, Congress abandoned the idea of using as currency the issues of local banks.

(2) The further issue of United States notes, or "green-

¹ *Continental Monthly*, February 1863.

² This inflation is illustrated by the condition of a bank in Pennsylvania which sent a statement to Senator Sherman to show how great a tax the bank would suffer if it were taxed on its circulation as proposed in the revenue bill before Congress at the time:

| LIABILITIES. | | | | RESOURCES. | | | |
|-------------------|---|---|-----------|-----------------------|---|---|----------|
| Capital stock | - | - | \$200,000 | Gold and silver | - | - | \$18,326 |
| Circulation | - | - | 589,600 | Bills and checks | - | - | 27,128 |
| Due to depositors | - | - | 55,152 | Banking house and lot | - | - | 4,000 |
| Profit and loss | - | - | 36,294 | Due from other banks | - | - | 146,879 |
| Due other banks | - | - | 23,959 | | | | |

Senator Sherman regarded the above statement as "only an illustration of many more."—*Congressional Globe*, XXXVII. Congress, 3rd Session, p. 841.

backs," as they were called, was looked upon by nearly all thoughtful men as a national calamity. The time was now February 1863. On 11th June 1862, the second of the three green-back acts had been passed. Each act had provided for the issue of \$150,000,000 of notes. The premium on gold had been steadily rising. On 9th January 1863, a bill was introduced in the Senate to provide for a further issue of \$300,000,000. It is spoken of as acting like magic upon the gold premium. On the day it was introduced the premium was 36 per cent. The next day it rose to 38 per cent.; in three days it went to 41 per cent., and within six days it rose to 48.5 per cent.

The dangers of any further issue of these notes were so patent that few really thoughtful minds favored such a course.¹ Even in suggesting a system of United States notes as a form of assistance in December 1861, Secretary Chase took care to point out its many weaknesses. And it is to be remembered that the notes which Mr. Chase recommended were not to be irredeemable notes. On account of the dangers of an issue of notes Mr. Chase preferred the national banking system which he recommended at the same time.²

Of course the paper-money system into which the nation plunged 25th February 1862, was not at all what Mr. Chase had originally recommended. The only argument that could be put forward for a further use of United States notes was that they cost nothing. Representative Baker, of New York, spoke in this strain. He favored the continuation of the use of United States notes in order to save to the government the interest on the bonds proposed by the national bank bill. Senator Colla-

¹ See Letters from Washington by S. in the *New York Times*, 31st January and 2d and 14th February 1863. These letters present the several merits of the national bank bill.

² The objections to the system of United States notes suggested by Mr. Chase were: (1) temptation in times of pressure to issue notes without adequate provision for redemption; (2) liability to be called on for redemption beyond the ability to redeem, however carefully provided and managed the issue might be; (3) risk of a depreciating and finally worthless paper currency; (4) danger of dishonored public faith and national bankruptcy.—*Report of the Secretary of the Treasury*, 1861, p. 18.

mer, of Vermont, the staunch friend of the state banks, declared that in the national bank bill we conceded to the world that we had become perfectly desperate, that we should in this way be hiring the national banks to circulate notes and guaranteeing the paying of them, although these notes would in fact be no more nor less than our own notes, and that we should be paying the banks twelve millions a year for doing it; whereas, if we were to circulate our own notes, it would cost us nothing.

A narrower idea of cost to the government can hardly be conceived. The placing of a loan on the security of which bank notes should be issued, so as to prevent in a large measure the further disarrangement of values, and which would in a short time do away with the high premiums on exchange between banks in different states, was considered to be an extravagant measure! It was not recognized at the time that a further issue of irredeemable notes would cost the government its financial honor, though such turned out to be the result; the issue fed the speculative spirit of the country upon its favorite diet of inflation. This was entirely overlooked in the effort to save a few dollars in immediate outlay.

The greenbacks had already fallen very much. In some places they were even below the notes of state banks.¹ Up to 10th February 1863, the government had authorized the issue of 300 millions of legal-tender notes. Further to increase this amount by passing the bill then before Congress would, many thought, greatly increase the depreciation of the irredeemable paper.

(3) Up to this time the sales of bonds had been limited to such amounts as would be taken at not less than an equivalent of par. This, however, really signified nothing; for while the sales were negotiated at par the par was computed in depreciated greenbacks, not in gold.

It is commonly asserted today that an increase of taxation was not advocated during the war nearly as much as it should

¹This was the case in Kentucky.—*Congressional Globe*, XXXVII. Congress, 3rd Session, p. 846.

have been. From the debate upon the national bank bill it does not appear that Congress regarded an increase of taxes as in any sense a substitute for the national banking system. Indeed, the possibility of such an increase was mentioned but once, and then not in an aggressive manner. Representative Noble, of Ohio, opposed the national banking system as a borrowing scheme, and declared that the proper source of revenue was taxation. He said that when the expenses of the government were large it could only sustain itself by drawing more from its subjects by means of taxes, either directly or indirectly ; that if it resorted to its credit the debts contracted must eventually be paid in the same way.

Such were the schemes offered as substitutes for the national banking system, but from the date of its introduction this system grew steadily in favor with Congress. It soon became evident that the country was to have a banking law for the purpose of obtaining a national currency. It was not claimed at any time for the bill that it was perfect, and amendments were asked for and often adopted.

The National Bank Act may be considered (1) as a war measure, and (2) as the basis of a permanent institution.

II.

As has been stated, the immediate purpose of the National Bank Act was to assist in providing funds for war purposes. Only such measures, however, as are intended to give immediate assistance in providing means can properly be regarded war measures. The national bank bill was looked upon by some as capable of rendering aid at once by giving "support to the national credit." When finances are properly administered public credit does not call for support ; but at this time the public credit was weak, and there seems to have been a feeling present among some of the men most influential at the time, that the bill would strengthen public credit, and that for the purpose of getting funds it was something more than a borrowing measure. In a speech made on the 10th of February, Senator Sherman said of

the bill, that if it passed it would so improve the credit of the nation that there would be no difficulty in obtaining "the additional loans required for the service of the current and succeeding year at fair and reasonable rates."¹ Such a characterization of the act could only have been made by statesmen who had had experience with an irredeemable paper currency. No doubt in reality they regarded this bill as only another borrowing scheme, but one founded upon a better basis than former ones. Indeed this bill offered fair inducements and security in the form of immediate interest upon loans made and deferred payment of the principal. And contrasting this with the system of forced loans without interest in the form of greenbacks it might well be characterized as an act calculated to support the public credit. In fact, however, no borrowing scheme can support the public credit. Public credit exists, and therefore borrowing can take place. Upon the strength or weakness of public credit as it exists depends the success of the loans made. It was believed by Senator Sherman that this bill would result in a sale of more than \$300,000,000 of bonds during the first year.² Secretary Chase thought that the demand for currency under the bill would lead within a very few years to a deposit of \$250,000,000 in United States bonds in the treasury at Washington.³ Such was the immediate advantage expected from the bill. But little direct aid was "expected from this plan during the present nor very much perhaps during the next year."⁴

In case of a long war other aid was expected, but there was a feeling earlier in the contest that the war would not be a very long one. By this time, however, the war was proving formid-

¹ The same general view of the bill was taken by the New York *Tribune*, 13th February 1863. It said in substance that the bill was calculated to strengthen the national finances, under the terrible strain then bearing upon them; that it would cause the currency to appreciate, and would supply new safeguards against the repudiation of the national debt.

² In 1863 only 134 banks were organized with a capital stock of \$16,378,700. During 1864, 453 banks were organized with a capital stock of only \$79,366,950.

³ *Report of the Secretary of the Treasury*, 1862, p. 18.

⁴ *Ibid.*, p. 24.

able enough for the most determined and hopeful. Senator Sherman said that he believed the war would last longer than many of his friends thought, and that the country must have a financial system to meet the emergency. And again he said: "We cannot maintain our nationality unless we establish a sound and stable financial system; and as the basis of it we must have a uniform national currency."¹ In this light the New York *Tribune* also regarded the bill, putting it upon the same basis as the bill for organizing the national militia under the direction of the President. The *Tribune* declared that the militia bill and the national bank bill were "both strong measures, such as were adapted to and would only be carried in a season of extreme national peril."²

The national bank act now begins to appear in its proper historical bearing. It was to form a vital part of the actual system of finance; it did not, however, entirely systematize the already incoherent policy of the Treasury. On the contrary, Secretary Chase's recommendations of December 1862, outlined a very composite system: (1) An increase in the duties on various imports; (2) an increase of the direct tax; (3) the levying of internal duties; (4) a limited issue of United States notes convertible into coin; (5) the negotiation of loans facilitated by the organization of banking associations.

Secretary Chase is reported to have said in a letter to the Finance Committee of the Senate, that if the bank bill should pass he would be able to carry on the financial operations of the government without further issue of United States notes.³ The Senate advocates of this bill asserted that further issues of legal tender paper in some form or other could be stopped only by the sale of interest-bearing bonds. These bonds, however, could not be converted into money rapidly enough to carry on the government without the benefit of some such agencies as were provided in the national bank bill.

¹ *Congressional Globe*, XXXVII. Congress, 3rd Session, p. 845.

² 26th February 1863.

³ New York *Tribune*, Washington Dispatches, February 2 and 3 1863.

The national bank bill was regarded also as a supplement of the revenue bill, under consideration at the same time. More vigorous revenue measures were necessary, and the revenue bill demanded more attention than the national bank bill. The revenue bill, however, bore upon the currency problem ; it contained a clause imposing a tax of two per cent. upon the issues of all banks when these issues extended beyond a certain per cent. of capital stock. Opponents of the national bank bill looked upon this clause as a blow aimed directly at the state institutions. While no provision of the kind was contained in the national bank bill, the provision was nevertheless a very real part of the proposed financial legislation. Senator Collamer of Vermont regarded the taxing provision with special disfavor in his discussions of the national bank bill. He declared that the clause taxing the state bank issues was the "cognate" of the national bank bill, that the two per cent. tax added to the tax already imposed on the capital stock of the banks would make a total of three per cent. He estimated that the banks at that time earned seven per cent. The total tax would leave them four per cent. The banks, he thought, would be forced to close, and he adds, "It is intended to be so ; if it does not effect that purpose sooner or later, then the great purpose of this bill fails ; you do not get a uniform national currency ; if this will not do it, more shall do it, and a larger tax will be imposed. That is part of the system ; but I grant that this will do it." Senator Chandler, of Michigan, a merchant and banker of experience, spoke in a somewhat similar strain after referring to the proposed issue of additional United States notes. His object was to reduce this redundant circulation. "I believe," said he, "we have a right and it is our duty, if we can by taxation, to drive out a portion of our banking circulation in order to create a vacuum for our own circulation." Senator Sherman regarded the tax as not burdensome to the banks because "one-half of the additional profits made by the banks during the suspension of specie payments" would easily pay the tax.

The state institutions had staunch friends. To induce these

to yield to the national system, appeals were made to patriotism. The bill appealed to the patriotism of the people and of the state banks themselves to induce them to withdraw their local circulations and convert them into a circulation of national notes. In opposition to Senator Collamer's vigorous defence of the banks in the northeastern states, Senator Chandler, of Michigan, spoke as one who had had experience with depreciated bank notes. He had "hoped," he said, "that the New England banks and other eastern banks that have been flooding the West with their paper money for some years past, would be sufficiently patriotic to come in and take these bonds, pay the money into the treasury, and circulate these notes instead of the rags with which they are now flooding the country." He corroborated the statement made by Senator Collamer that the New England banks sent their circulation out West, but also said, "We do not thank them for it. We prefer the greenbacks which are today at one-half of one per cent. premium in my own city."

While there is no doubt that this system, or even the passing of the bill, in a large measure removed the financial weakness of the nation, it was praised too highly. When the funds immediately available from this source are compared with those already derived from other sources, and with the great amount that would in all probability be needed at an early date, it is seen that this bill, at its best, could produce only a small part of the funds necessary at the time. It was claimed, however, that its passage would lead to the negotiation at reasonable rates of loans which might become necessary in the next year or so. It is true that in this bill a fair return was promised for the funds desired; but the indirect effect of a loan (for this was a loan act) well negotiated, upon the negotiation of further loans, is a very indeterminable quantity. Further loans would have to be negotiated independently. It could have been only along the line of indirect aid to credit that Senator Sherman saw a potential demand for 500 millions of our bonds, and credit given to 1,000 millions as a result of the passage of this act.¹

¹ *Congressional Globe*, XXXVII. Congress, 3rd Session, pp. 843, 875.

Mr. Walker declared that "if, under this system, during this stupendous rebellion, involving the existence of the government, with armies and expenditures unexampled in history, the Secretary (as with the aid of Congress and the banks, I believe he can) should secure us a sound and uniform currency, and negotiate vast loans running twenty years at par, the government paying only 4 per cent. per annum, he will have accomplished a financial miracle and deserved a fame nearest to that of the first and greatest of his predecessors, the peerless Hamilton."¹

The National Bank Act seems to have failed, partially at least, to provide immediate means for carrying on the war. Instead of bringing into the national Treasury at once \$250,000,000 or \$300,000,000, it had brought in by the close of the year 1863 only \$16,378,700, and by the last of June, 1865, only \$235,959,100.²

III.

It may be thought by some that the national banking system was constructed wholly without precedent or example. The idea was not, however, altogether a new one. It must be kept especially in mind that uniformity and stability of currency were the great ends sought by the founders of the system. Both Secretary Chase and Senator Sherman thought that the principle of the system had already been tried, and that its introduction at this time would not be an experiment.³ The advocates of the bill were not ignorant of our banking history. Senator Sherman asserted that this bill sought to accomplish only what all the statesmen of our country had sought to accomplish up to that time. It is of course not true that all of our statesmen had striven for a national system; indeed some have been altogether opposed to anything resembling a national bank or a national banking system. The champion of the bill under consideration came nearer to the truth when he declared that "every party that had been organized in this country from the foundation of the govern-

¹ *Continental Monthly*, February 1863.

² *Report of the Comptroller of the Currency*, 1892, p. 18.

³ "In the state of New York and in one or more of the other states, it has been subjected in its most essential parts to the test of experiment, and has been found practicable and useful."—*Report of the Secretary of the Treasury*, 1861, p. 19.

ment to the present time, had, at some period of its history, sought to accomplish this object of a uniform currency." The Federalists, it was asserted, under the lead of Hamilton, brought order out of chaos after the Revolutionary war by the creation of the United States Bank. For twenty years this gave the country a stable currency. Following the expiration of this Bank there was a period of four or five years of local bank issues,—a period of confusion and disorder. Then came the second United States Bank, brought about by the Republican party under the leadership of Mr. Dallas and Mr. Madison. It was pointed out that the debates on the establishment of this Bank were quite similar to the one in which the Senate was now engaged. Conditions similar to those which now troubled the nation were present in 1815 and 1816—"a depreciated and disordered paper currency which could only be remedied by the substitution of one national currency." Again there followed a period of twenty years under a stable currency.¹ When the charter of this Bank expired there was no debt, and since there was in the country plenty of gold and silver for a national currency there was no need of paper. There was, however, plenty of paper currency to meet any needs which might be felt, provided by the issues of local banks. Insecurity, the first symptom of an unhealthy monetary system, entered into exchanges soon after the expiration of the second Bank, and the Independent Treasury was established to facilitate the transactions of the general government. Through this institution the financial operations of the government were freed from the entangled credit operations of the unsound banking system of the time. Mr. Walker said: "I made the divorce complete, *a vinculo matrimonii*." This law was regarded by some of the advocates of the national banking system as a wise measure for its time, although, of course, it could not be cited as a precedent for a national currency.²

¹ Of course neither of our first great banks gave to the country a uniform currency. But those institutions exerted a salutary influence in the direction of uniform excellence in the issues of the local banks of those times.

² It seems, however, that if the record is correct Senator Sherman meant to do this. He says, "The Democratic party from 1837 to 1845 adopted the Sub-Treasury scheme

The Bank of England and the Bank of France were cited as examples of the successful working of a national banking system, and the fact noted that the issues of the Bank of England were based either upon gold or silver, or upon government securities.¹ In both of these systems was found an illustration of the fact that before a government can borrow large sums there must be some connecting link between the government and those who have money to loan.

Mr. Spaulding, of New York, held the national bank bill to be similar to the free banking law of the State of New York, which had been in successful operation since 1838. After the bill had been under discussion for a short time in the Senate, the dispatches to the New York *Tribune* from Washington stated that the principle of the general banking system of New York and of her safety fund system was the one upon which the majority of Congress seemed disposed to found a national currency.² The idea of a system of banking sufficiently general to be called in a sense national, as it appeared in history, seems, therefore, to have exerted no small influence upon Congress in the establishment of the banking system now in force in the United States.

The ultimate aim which the advocates of this bill kept continually in mind was uniformity and security in bank note circulation. In his first report, Mr. Chase stated that the value of the existing bank note circulation depended on the laws of thirty-four

as their national currency."—*Congressional Globe*, XXXVII. Congress, 3rd Session p. 844. This is a lapse on the Senator's part, or it is a mistake in the record. First, the dates are wrong. The Independent Treasury was established in 1846. In the second place, by no stretch of metaphor could the scheme be called a national currency. It simply provided that the transactions by and with the government must be in specie.

¹ It was stated that "usually the Government securities were largely in excess of the circulation."—*Congressional Globe*, XXXVII. Congress, 3rd Session, p. 844. As a matter of fact these securities are usually much less than the minimum circulation.

² These dispatches also state that in New York the two systems worked together harmoniously, the free banking absorbing the safety fund system through the expiration of charters, and the force of self-interest. It took twenty years in New York for the absorption to take place, and a like period, it was thought, would be necessary to accomplish the change proposed by the bill under consideration.—*Tribune*, 2nd February 1863.

states and the charters of some sixteen hundred private corporations, and that circulation was usually in inverse ratio to solvency.¹ Failures were frequent; only a short time prior to this the states in the Mississippi Valley had experienced a very severe trial with "wild-cat" and "bogus" banks.² From such confusion the country demanded protection. Therefore, Mr. Chase gave as the central idea of this proposed measure, "the establishment of one sound, uniform circulation of equal value throughout the country upon the foundation of national credit combined with private capital."

The advantages of uniformity were not hidden from the statesmen of that day who had been taught in the bitter school of experience what were the disadvantages of a mongrel currency. The great advantage to the business of the community of a uniform currency would lie in economy of exchange. This point was clearly made by Secretary Chase in his Report of 1861, when he recommended the system for the first time, and it was reiterated in his Report of 1862.

Western people especially stood in need of a sound currency, both for use among themselves and in their transactions with

¹The condition of the circulation at this time was such that one is not surprised to read in the London *Times* that it appeared to Europeans a relic of "barbarism." The following table gives some indications on the condition of the currency:

| | 1856 | 1862 |
|--|------|------|
| Number of banks - - - - - | 1409 | 1500 |
| Number whose notes are not counterfeited - | 463 | 253 |
| Number of kinds of "imitations" - - - | 1462 | 1861 |
| Number of kinds of alterations - - - - | 1119 | 3039 |
| Number of kinds of "spurious" - - - - | 224 | 1685 |

Given by Senator Sherman, *Congressional Globe* XXXVII. Congress 3d Session, p. 844.

From the *National Intelligencer*, Washington, February 1863, we have the number of banks estimated at 1395. And on the estimate of six different denominations of notes for each bank, there would be 8370 varieties of notes. This variety would, of course, be in form, color, size, manner of security and so forth.

²A writer in Hunt's *Merchants' Magazine*, January 1863, thus describes the currency in the West: "There the frequently worthless issues of the State of Maine and of other New England states, the 'shinplasters' of Michigan, the 'wild-cats' of Georgia, of Canada and of Pennsylvania, the 'red-dogs' of Indiana and Nebraska, the miserably engraved 'rags' of North Carolina and Kentucky, Missouri and Virginia, and the not-soon-to-be-forgotten 'stumptail' of Illinois and Wisconsin, are mixed indiscriminately with the par currency of New York and Boston."

eastern banks. Senator Pomeroy of Kansas thought the proposed system very desirable for the western states where banking was not conducted on as sound a basis as it was in New England and especially in New York. In those states the issues of local banks were at par, or usually nearly so, which was by no means true of western banks. It often happened when debtors in the West came to pay their debts in New York that they had to submit to a very considerable depreciation, paying "two per cent., three per cent. and five per cent. in exchange."¹ So obvious an advantage as uniformity could not but appeal to the whole people suffering so many inconveniences arising out of the chaotic administration of the time. The strongest opposition to the proposed system naturally came from representatives of those sections which were making profit out of the heterogeneity of the system in existence. The demand for uniformity, however, grew steadily stronger.

From the political rather than from the economic side argument was often brought forward that uniformity would prove a safe bond of union between the states. The doctrine of states' rights many thought to be the "evil of the times," and this bill would in their judgment promote a sentiment of nationality; dependence upon the United States for a medium of exchange would create a broader spirit of national patriotism. A strong consolidated government might, it was held, have been able altogether to avert, or at least have been more readily able to put down the rebellion. The institution of the Sub-Treasury was held partly responsible for the lack of a sentiment of nationality as it was termed, a result of the separation of private from national interests. "The Independent Treasury law unnecessarily isolated the Government from all the capitalists and the accumulated capital of the country."² Upon the ground of union of public and private interests for strengthening the feeling of nationality the outline for a national currency was pressed rather than upon the ground of immediate financial gain to public or private interests.

¹ *Congressional Globe*, XXXVII. Congress, 3d Session, p. 850.

² Mr. Spaulding, of New York, *Congressional Globe*, XXXVII. Congress, 3d Session, p. 1115.

What relation the proposed national system should sustain to state institutions already in existence was a matter of great concern. The Secretary of the Treasury undoubtedly intended that the state institutions should be transformed into national institutions; such transformation would, he thought, serve the best interests of the community and be entirely constitutional. In his report for 1862 he said of the system that it "contemplated the gradual withdrawal of bank note circulation and proposed a United States note circulation furnished to banking institutions." On the question of constitutionality the Secretary, notwithstanding a decision¹ of the Supreme Court to the contrary, took the ground in 1861 that the issuing of notes by the state banks fell "within the spirit if not within the letter of the constitutional prohibition of the emission of bills of credit by the states and of the making by them of anything except gold and silver coin a legal tender in the payment of debts."² The issues of state banks may or may not have been constitutional; the mere fact that a particular institution exists under the Constitution does not prevent its being a harmful institution. When the public welfare required the suppression of the issues of state banks, Congress, in spirit at least, disregarded the Supreme Court decision and suppressed those issues by legislation which was virtually an exercise of the police power of taxation.

When the bill was introduced in the Senate it contained a clause taxing state banks one per cent. semi-annually upon the whole amount of their issues.³ Opponents of the system dubbed this the "coercive" feature of the bill. Many thought that the

¹ *Briscoe v. Bank of the Commonwealth of Kentucky*.—(11 Pet. 257.)

² *Report of the Secretary of the Treasury*, 1861, p. 17.

³ " . . . and every bank, banking association, or corporation not organized under the provisions of this act, issuing notes calculated or intended to circulate as money, shall, on the first day of July next, and regularly on the first days of January and July thereafter, make and deliver to the Comptroller of the Currency an accurate return of the gross amount of notes issued by it, whether in circulation, or in its vaults, or on deposit elsewhere, specifying the amounts of the several denominations; and shall pay to the Comptroller of the Currency, semi-annually at the time of making such return, in lawful money of the United States, one per centum upon the gross amount of notes issued, according to such return; the bank, banking association, or corporation so

purpose of the clause was to force the state banks to deposit United States stocks at once and obtain United States notes, and so at once to introduce the uniform currency into the circulation.¹

It appears from the above discussion, as well as from the discussion of the tax feature of the Revenue Bill of 3d March, 1863, that many entertained the idea of taxing the state bank issues out of existence. The tax which was afterwards imposed was not, therefore, so much of an afterthought as Mr. Horace White implies.² Nothing can be more obvious from the debates than that the national system was to supersede the system of state banks. Nor was the idea of compulsion altogether given up when the coercive feature of the original bill was stricken out.²

failing to make return, shall pay to the United States a penalty of two per centum upon its entire capital stock, to be recovered, for the use of the United States, in any court of competent jurisdiction." Sec. 21 of the bill as introduced by Mr. Sherman.—*New York Times*, 30th January 1863.

¹ A dispatch from Washington to the *New York Tribune* suggested that the opposition in the House to the idea of a national bank bill might perhaps "be conciliated by abandoning the coercive feature of that proposed measure, and permitting the state banks to retire their currency at will and take United States stocks and Treasury notes."—30th January 1863.

The *Tribune* also stated that Mr. Chase had declared his willingness to surrender the coercive feature of the bill; that except two members the whole Committee of Ways and Means were for the bill, and that they were at liberty to support it and probably would do so if it were modified by striking out the compulsory feature of section 18 [21] and permitting the state banks to deposit government stocks whenever they pleased with the United States Treasurer, and receive the uniform currency.—(2d February 1863.)

Representative Spaulding, of New York, said: "The coercive feature having been stricken out, I intend to give it my vote."—*Congressional Globe*, XXXVII. Congress, 3d Session, p. 1114.

Mr. Amasa Walker, representative from Massachusetts, favored a semi-annual tax of three per cent. on the bank note circulation of the country, which would drive that circulation entirely out of existence, greenbacks would take the place of state notes, and upon the resumption of specie payments we should have one kind of currency. He preferred greenbacks to the national banking system, but the national banking system in preference to the system then in vogue.—"Remarks prepared for but not delivered in the House upon the National Bank Bill." *Bankers' Magazine*, May 1863, pp. 833-843. See also his speech on the National Finances in the House, 15th January 1863.

² *Annals of the American Academy*, March 1893, p. 2.

The revenue bill, referred to by the opponents of the national bank bill as the "accompanying measure," was cited by both Senator Powell, of Kentucky, and Senator Collamer, of Vermont, as inimical to the state institutions. Certainly some of the provisions¹ of the Act as passed bore more heavily upon the state institutions than upon the national banks. All banks having a capital stock of \$100,000 and under had to pay a one per cent. tax semi-annually upon all notes issued above ninety per cent. of their capital stock. No national bank could issue notes beyond this amount, and few banks of any kind would pay the heavier taxes of this provision because few had a capital stock of more than \$100,000. Again the provision that all banks must pay a five per cent. semi-annual tax on issues of fractional parts of one dollar, bore only upon state banks; nor can this provision be regarded as a revenue measure. It was a use of the police power of taxation to suppress such notes.

Senator Collamer had ground for believing that the general tendency of legislation was against the state banks, and he was right in predicting that a bill to tax state bank issues would speedily follow the passage of the national bank bill.² The idea that state banks were to be superseded by national banks appears in

¹ The Revenue Act of 3d March, 1863, contained five provisions for taxing banks: (1) All banks, corporations, or individuals issuing notes for circulation as currency had to pay a tax of one per cent. semi-annually after 1st April, 1863, upon the average amount of notes issued beyond a certain per cent. of their capital stock. This limit was as follows: for banks having a capital stock of \$100,000 and under, 90 per cent.; between \$100,000 and \$200,000, 80 per cent.; between \$200,000 and \$300,000, 70 per cent.; between \$300,000 and \$500,000, 60 per cent.; between \$400,000 and \$1,000,000, 50 per cent.; between \$1,000,000 and \$1,500,000, 40 per cent.; between \$1,500,000 and \$2,000,000, 30 per cent.; for those having over \$2,000,000, 20 per cent. (2) The notes not taxed by the foregoing provision were to be taxed one-half of one per cent. semi-annually. (3) All banks issuing currency of fractional parts of one dollar were to pay five per cent. each half year on the amount of such notes. (4) All banks had to pay a tax of one-eighth of one per cent. on the average amount of deposits beyond the average amount of their circulation lawfully issued and outstanding as currency. (5) The tax on the national banks was the same as that laid on the circulation and deposits of all other banks.—12 *United States Statutes at Large*, 709.

² *Congressional Globe*, XXXVII. Congress, 3d Session, p. 846.

numerous statements made at the time.¹ One of the amendments adopted immediately and without any discussion, was for the express purpose of paving the way for the conversion of state banks into national banks.²

Clearly, the national banking system was intended to be a war measure in so far as it would facilitate the sale of bonds, but experience had fully demonstrated the need of a permanent uniform currency. In the absence of a uniform national currency, and of the complex affiliation which depends upon such a currency, the Union was denied a powerful aid in the suppression of the Rebellion. The government had abdicated an "essential national authority" in allowing the thirty-four states of the Nation to issue its currency, and this abdication furnished a *sine qua non* of rebellion. To say, as was said, that "with nothing but a national currency the revolting states could never have successfully inaugurated this war," is to overstep the mark; and it is a bold metaphor to assert that under the state bank system every bank, however loyal to its stockholders, "became a citadel

¹ "The more general advantages which have been described . . . will only be fully apparent when the national circulation furnished by them (the national banks) shall become the established and sole note circulation of the country."—*Report of the Secretary of the Treasury*, 1862, p. 24.

"This currency will gradually, quietly supersede the local money without affecting or deranging any of the ordinary operations of life."—Mr. Sherman, *Congressional Globe*, XXXVII. Congress, 3rd Session, p. 876.

Senator Davis, of Kentucky, characterized the bill as a "monster making its appearance in our midst for the purpose of breaking down this system of state banks."—*Congressional Globe*, XXXVII. Congress, 3rd Session, p. 880.

Numerous other statements of similar import might be quoted.

² The amendment was made for the benefit of those state banks holding United States securities to the extent of fifty per cent. of their capital stock. Banks could deposit these securities with the Treasurer of the United States and obtain currency to the amount of eighty per cent. of the transfer. If any bank accepting this offer should fail to redeem any of its notes, the Comptroller, on proof of the same, should declare the bonds deposited by the bank as transferred and forfeited to the Treasurer of the United States. The United States then became responsible for the redemption of the notes of the defaulted banks. The bonds forfeited were to be cancelled to the extent of the notes redeemed, or, if sold, the amount of redemption should be deducted and the residue returned to the bank.—*Congressional Globe*, XXXVII. Congress, 3rd Session, p. 850.

whose artillery bore with more fearful effect upon the government than all the armies of the rebellion."¹

It is true that the financial interests of the general government and the interests of private individuals were separated by the financial institutions existing prior to the inauguration of the national banking system; the union of these interests has transferred to the side of the government all the private interests formerly divided among local institutions in isolated communities. This truth was clearly perceived after the Sub-Treasury had been "virtually suspended," and the stranded national government had had to go begging to the state banks of New York, Boston and Philadelphia. It was held that the time was propitious for the enactment of this great measure, and "that the duty of the government in providing a national currency should no longer be neglected." It was expected that the banks would become an agency for the collection of taxes, that they could be used as depositories for public funds alongside of the Sub-Treasury, that the system would furnish a valuable medium for funding a large part of the national debt, and that it would, better than any other system, pave the way for resumption of specie payments.

The first two of these expectations proved visionary. As for the debt, less of it has been absorbed, probably, than was hoped would be—about one-fifth of the entire war debt being the usual proportion held by national banks.²

The manner in which the national banking system would aid a return to specie payment is not stated in the debate.

We have now considered the debates of Congress on the national bank bill during the month of February 1863, as also opinions reflected by the press. In addition to the above historical discussion, some observations upon the real merits of the measure, made in the light of subsequent experience, may be in order.

¹ R. J. Walker, *Continental Monthly*, February 1863.

² The largest amount of United States bonds ever held at any one time by the national banks, as security for circulation, was \$391,171,200, the amount held in 1874. The whole national debt at that time was \$1,788,876,262.

The objection that the national bank system would sound the knell of the state banks was not well taken. The real unsoundness of the objection seems, however, to have been almost wholly overlooked. Either it was regarded as being so obviously unfounded as to deserve no consideration, or there existed no small amount of ignorance in both houses of Congress as to the real nature of banking. The real question was brought up but once, and then only negatively. One day Senator Harris, of New York, declared that the state banks would be loth to give up their charter privileges. Senator Sherman asked that a single charter privilege of the banks of New York beside the power to issue circulation be mentioned. Senator Harris could not mention any, but was sure that the banks felt they had advantages. The whole argument concerning the destruction of the state banks by the national system seems to have been based on the idea that the whole profit of a bank comes from its note circulation. A new currency was to supplant the currency of the state banks; therefore the state banks would have nothing to do, and would of course close their doors. Moreover, the new banks were to be paid interest on the bonds upon which their currency was issued, and would thus have an additional source of gain. During the suspension of specie payment the issues of notes by banks bore a greater proportion to loans and discounts than commonly occurs; but, evidently, in normal times a bank looks for its profits entirely to its loans and discounts. A portion of its loans the bank makes in the form of note issues, and upon this portion, as upon the rest, it expects to derive a profit. This is not, however, because the loan is in the form of bank notes, but because the issue is a loan. If the bank could not issue notes, it could make the loan in another form and derive the same profit. But the profit to a bank from its own issues, either from lending them or from the interest on the securities upon which they are based, is so small when compared with the whole profit from loans and discounts, that it is frequently not an important item.

The objection that the measure was not in every particular

in accord with principles of sound banking was well taken. This objection was made with special reference to the proposed provision for note redemption.

Senator Howard, of Michigan, declared that the bill ignored the only sound principle upon which a paper currency could be issued, *i. e.*, that it "be convertible at the will of the holder into specie." Senator Powell, of Kentucky, tried, with praiseworthy persistence, to improve the mechanism for note redemption. On 9th February, he introduced an amendment requiring the banks organized under the bill to keep in their vaults, "in gold and silver coin of all kinds, an amount equal to at least one-fourth of the amount of the notes they are authorized to issue." He held that this was necessary to provide ample security to the note holders. As the bill stood the notes were to be issued on United States stocks from forty to fifty per cent. below par. The reserve was to be twenty-five per cent. in the "lawful money of the United States," in other words, government notes farther below par than the bonds of the government. It was feared also that the Legal Tender Acts might be judged unconstitutional. The amendment offered by Senator Powell, however, attracted but little attention; it was dismissed with the observation that the nation was in the throes of civil war, and that at such times specie payments are naturally suspended. Such, it was explained, had been the case in England during the war with Napoleon, and it was argued that such had always been the case in every country involved in a great war. The amendment was called up the next day, but the war argument had set the seal of death upon it, and it was rejected by a vote of 22 to 14.

Failing in the attempt to get a reserve of gold and silver to the extent of one-fourth of the circulation of the banks, Senator Powell moved that the banks be compelled at all times to redeem their notes in gold and silver instead of in lawful money of the United States. This attempt to put the system upon a specie basis also failed. Mr. Powell next made an attempt to force as speedy a return as possible to such a basis after the war was over. To that end he offered an amendment to compel the

banks, twelve months after the war should cease, to redeem their notes in gold and silver coin. The amendment was lost. He renewed both his first and last amendments on 11th February, but both were again rejected.

The only other proposed amendment that elicited any discussion sought to place the minimum capital of any national bank at \$300,000 instead of \$50,000. The intention of this proposition was to prevent the establishment of a great number of small banks in all parts of the country. It was held that so small a capital as \$50,000 would permit the establishment of banks many of which would necessarily be at points inaccessible for redemption. A few banks, it was urged, with a large capital would give far more stability to the currency. The history of the banks of the country and their failure to secure a good circulating medium seemed to justify such a belief. Senator Pomeroy of Kansas, however, objected to the amendment on the ground that the provision for banks with small capital was a very appropriate one, especially for the western states. These states had suffered severely from an unstable currency, and this provision would give them the same advantages as had hitherto been enjoyed in the East. The argument was also made that the establishment of small banks would aid in placing bonds. So this amendment too was lost.

The clause allowing banking institutions of any state or territory to come in under the new law, without dissolution and reorganization, was so amended as to strike out the word territory. Charters granted by territories and not confirmed by Congress, it was held, were illegal, and therefore such banks should be debarred from the benefits of the new law. This was in accordance with the Congressional Act of 1836, annulling bank charters granted by territories.¹

Other objections were raised against special features of the

¹ In 1836, Congress passed "An Act to disapprove and annul certain acts of the Territory of Florida and for other purposes." The first section provided that no act of the territorial legislatures incorporating a banking institution thereafter, should be valid unless approved by Congress.—Act of July 1, 1836. 5 *U. S. Statutes at Large*, p. 61.

bill, but none of them rested upon a sufficient basis to justify an amendment.

In some states a school tax, and also a town tax, were derived from the state banks.¹ In so far as the national system displaced the state system the state would of course be deprived of this tax. It was held, however, that the gain to the nation at large would more than compensate for the losses of individual states.

It was also objected that the provision for redemption of notes through the federal treasury was unwise. If the bonds should fall in value, the provision that twenty-five per cent. of the circulation should be kept on hand would be worth but little. A bank which found its security falling in value would close up and leave its depreciated bonds in the hands of the government for redemption of outstanding notes.

The political significance of the system was also a point of attack. As compared with the Second Bank of the United States, the system now to be inaugurated looked very formidable. If the Second Bank was discontinued for fear of its becoming a dangerous political weapon, how much more ought one to hesitate before the inauguration of a similar system on a much larger scale. The former bank had a capital stock of \$35,000,000; now we were to have a system of banks with a capital stock of \$300,000,000. The great power conferred upon the Secretary of the Treasury in the appointment of subordinate officers, especially of the Comptroller, was regarded with suspicion; and in the office of the Comptroller itself there was thought to lie the means of dangerous political power.

The bill allowed banks in different states to charge different rates of interest according to the legal rates of the states, and it was held by some that it would be better to have the rate uniform. Such a contention proceeds upon a wholly false idea of the nature of money as a circulating medium. A uniform rate of interest is as absurd as a uniform price of corn or wheat. And as a law establishing a uniform price for wheat or corn

¹This was the case in New Hampshire.

would be regarded by all as an iniquity, so we must regard a law fixing a uniform rate of interest in the same manner.

The national bank bill was not a significant one if the amount of time spent upon it in debate is to be the criterion. Although it was introduced in the Senate 26th of January,¹ it received

¹Course of the bills introduced prior to Senator Sherman's bill: 11th July 1862, Bill introduced in the House by Mr. Hooper of Massachusetts "to provide a national currency secured by a pledge of United States stocks, and to provide for the circulation and redemption thereof." Read a first and second time and referred to the Committee of Ways and Means.

July 12, 1862, resolution to print 5,000 extra copies referred to the Committee on Printing.

July 15, 1862, resolution to print 5,000 extra copies laid on the table. January 7, 1863, Mr. Hooper introduced a new bill. The number of the former bill was 568, that of the present bill was 656. Referred to the Committee of Ways and Means and ordered to be printed. January 8, 1863, reported adversely upon by Mr. Stevens of the Committee of Ways and Means. Report not accepted, because the bill was not in hand to be read. Mr. Stevens then reported the bill to the House. It was read a first and second time and passed over till January 16. January 29, 1863, Mr. Moorehead, of Pennsylvania, introduced a bill in the House for the same purpose as the Hooper bill. It was read a first and second time, referred to the Committee of Ways and Means, and ordered to be printed. The former bill was not called up on January 16, as per motion, that day being taken up largely with the discussion of a further issue of treasury notes.

The course of the bill which became law:

January 26, 1863, introduced in the Senate by Senator Sherman of Ohio. Read twice, referred to the Committee on Finance and ordered to be printed.

February 4, 1863, taken up in the Senate, but postponed till the 9th inst.

February 9, 1863, called up in the Senate.

February 9, 10, 11, discussed in the Senate.

February 12, 1863, passed in the Senate by a vote of 23 to 21, and sent to the House.

February 13, 1863, bill remained upon the Speaker's table but was ordered to be printed.

February 19, 1863, discussed in the House.

February 20, 1863, discussed in the House and passed by a vote of 78 to 64. No amendments.

February 21, 1863, resolution to print 10,000 extra copies referred to the Committee on Printing.

February 23, 1863, reported in both Senate and House as enrolled.

February 24, 1863, 10,000 extra copies ordered by the Senate.

February 28, 1863, concurrence by the House.

February 25, 1863, signed by the President.

For the law, see 12 *United States Statutes at Large*, p. 665.

practically no attention until 9th February. Then it was the main order of the Senate for three days. It went to the House 12th February. Here it attracted very little attention till the 19th. On the 19th and 20th the bill was discussed, passing on the 20th exactly as it was received from the Senate. In both houses the participants in discussion were few in number. The law upon which our national banking system is based received but three days' discussion in the Senate and two in the House. It was introduced 26th January, and on 25th February following it received the signature of the President.

Senator Collamer of Vermont was undoubtedly the strongest opponent of the measure. His opposition sprung from a desire to preserve the state institutions. His own state and section were profiting in a peculiar manner from such institutions at this time. Senator Harris and Representative Baker, both of New York, spoke in the same strain. Representative Spaulding, of New York, was, however, one of the ablest champions of the bill. Senator Wilson, of Massachusetts, also championed the bill. The two senators from Michigan were avowed advocates of the bill, although recognizing the fact that it was not perfect. But as has been shown they had had costly experiences with that very currency which the Senator from Vermont was defending, and out of which the New England banks had reaped and were reaping a profit. While the western senators advocated the bill more or less upon sound principles of banking, they felt their private interests at stake. Both senators from Kentucky opposed the bill. Their attitude depended upon sectional interests as did that of the senator from Vermont. Kentucky had some well managed banking institutions.¹ Her representatives were loth to give them up for an untried system. Of course the political feature must not here be overlooked. One might naturally expect that the representatives from Kentucky would object to any system that tended to exalt the general government at the expense of the state government. Senator Powell declared that he believed Congress could not make a law establishing banking institutions within a state without first getting

¹ See bank statements, *Congressional Globe*, XXXVII. Congress, 3rd Session, p. 880.

the consent of the state. He held that the organization of private banking institutions or other private corporations, was "a matter left exclusively to the state in the exercise of its high sovereign power." This argument was not, however, persistently urged.

The vote¹ on the bill shows that in general the southern states opposed it and the northern states favored it; there were, however, exceptions. No southern state gave a senatorial vote for the bill, but three northern states, Vermont, Illinois and California, gave both senatorial votes against it. The close vote in both houses shows that the bill was not a popular one. The vote in the House indicates more plainly than the vote in the Senate that there was not much sectional strife in passing the bill. While seven states voted solidly for the bill in the Senate, the same seven in the House gave only 27 votes out of 44 for the bill. While six states, including California, Illinois and Vermont, cast a solid vote against the bill in the Senate, the same six in the House gave only 17 votes out of 27 against it. Among the eight states which in the House cast a solid vote for the bill are found Tennessee and Louisiana. The remaining states casting a solid vote for the bill were Minnesota, Michigan, Wisconsin, California, Delaware and Kansas. In the House six states voted solidly against the bill, but carried a light vote, only 13 in all. The

¹ The vote in the Senate: The following states voted solidly for the bill: Rhode Island, Michigan, Wisconsin, Maine, Oregon, Kansas, Ohio and Massachusetts. The following cast a solid vote against the bill: Vermont, Kentucky, Missouri, Maryland, California and Illinois. The following gave one vote for and one vote against it: Connecticut, Iowa, New York, New Jersey, Minnesota and Pennsylvania. New Hampshire cast her only vote present for the bill. Virginia, Delaware and Indiana cast their only votes present against the bill. Total vote for the bill 23; against it, 21.

The vote in the House: The following states cast the whole vote present for the bill: Minnesota (2), Michigan (4), Tennessee (2), Kansas (1), Delaware (1), Louisiana (1), California (3), Wisconsin (3). The following gave the whole vote present against the bill: Connecticut (3), Vermont (2), New Jersey (4), Rhode Island (1), Oregon (1), Iowa (1). The following gave a divided vote: Massachusetts (6 to 3) in favor of the bill, Ohio (9 to 11), Pennsylvania (12 to 7), Virginia (2 to 1), Maryland (2 to 2), Kentucky (1 to 7), New York (14 to 9), Indiana (5 to 4), Maine (5 to 1), Illinois (3 to 2), New Hampshire (1 to 1), Missouri (1 to 4). Total vote for the bill, 78; against it, 64.

votes of all the remaining states were divided. It is thus seen from the vote in both branches of Congress that the bill was not passed by, or in favor of, any special section.

IV.

The Act of February, 1863, was, to a certain extent, necessarily an experiment, especially in its details. When the Comptroller made his first report, about nine months after the enactment of the law, only 134 national banks had been organized. This amount of experience with the system in actual operation led to the detection of many of its defects, and although these defects were not such as would render the law liable to repeal by the next Congress, they were such as seriously impaired the working of the system. The Comptroller very properly said that "a law of so much importance as this, which is to be interpreted by so many people, and is to be the charter for so many banking institutions, should be methodical in its arrangement, clear in language, and comprehensive and consistent in its provisions."

The several defects of the Act, as a banking law, pointed out by the Comptroller, may be classed under the following general heads: (1) Defects in mechanical arrangement. Provisions concerning the same subject were scattered throughout the Act, and by grouping these the form and character of the Act would be greatly improved. (2) Defects in clearness of statement. Some of the provisions through lack of clearness seemed to nullify certain other provisions, and such imperfections would continually lead to differences of construction between the Comptroller and the banks. (3) Defects in sound principles of banking. If literally interpreted the original Act "might prevent the national banks from discounting on the security of the stocks of other corporations, many of which stocks are regarded by bankers as among the most desirable collaterals." Again, it was not provided that the banks should redeem their notes at some commercial center in addition to redeeming them at their own counters. Further defects of like nature but of less significance were pointed out by the Comptroller. (4) Defects in rigidity of requirement.

The individual liability provision was regarded as too rigid for the best success of the system. The requirements that all the directors of a bank should be residents of the state in which the bank was situated, that the maximum number of directors should be nine, and the like, were examples of preciseness at the cost of efficiency.

Such were, in general outline, the defects of the system as shown by the experience of one year. Congress did not, however, take up the matter of revising the National Bank Act until March 1864. At this time Mr. Hooper reported to the House, from the Committee of Ways and Means, a bill¹ for perfecting the national banking system. In discussing the bill at a later date Mr. Hooper said that the only purpose of it was "to amend the Act which established that system, to correct what the observation and experience of the past year had shown to be imperfect, and to render the law so perfect that the state banks might be induced to organize under it in preference to continuing under their state charters."² The debate of 1864 in both branches of Congress was much more extended than that of 1863. This debate, however, dealt mainly with the details of the system, following in the main the lines indicated by the criticisms and rec-

¹ Course of House Bill (No. 333):

March 14, 1864, reported to the House from the Committee of Ways and Means. March 23-25, 29, 31; April 1, 2, 4, 5, discussed in the House.

April 6, laid on the table by a vote of 90 to 44.

April 8, rejected bill of the House introduced in the Senate by Mr. Sherman and referred to the Committee on Finance.

April 11, Mr. Hooper, of Massachusetts, introduced a new bank bill (No. 395) in the House; read twice and ordered to be printed.

April 16, discussed in the House.

April 18, discussed in the house and passed by a vote of 78 to 63.

April 18, House Bill (No. 395) received in the Senate; referred.

April 20, reported with amendments to the Senate by Mr. Sherman.

April 26, 27, 29, 30; May 2, 5, 6, 9, discussed in the Senate.

May 10, discussed in the Senate and passed as amended by a vote of 30 to 9.

June 1, both houses adopted the reports of their respective committees of conference for harmonizing their differences as to amendments.

June 3, bill signed by the President.

² *Congressional Globe*, XXXVIII. Congress, 1st Session, p. 1256.

ommendations of the Comptroller. Occasionally attacks were made on the system as a whole; but for the most part its permanency as an institution was conceded and attention was directed towards eradicating its defects. The law of 3rd June 1864, was such a revision and perfection of the law of 25th February 1863, as would render the national banking system more capable of becoming a permanent institution.

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